Proposal to review the guarantee fee charged for outstanding multilateral loans

299. SHRI K. RAMA MOHANA RAO: Will the Minister of POWER be pleased to state:

(a) whether it is a fact that the Ministry is considering the Power Grid Corporation's proposal to review the current guarantee fee charged for outstanding multilateral loans;

(b) if so, what is the present rate of fee on outstanding loans; and

(c) what are the reasons for reviewing the same?

THE MINISTER OF POWER (SHRI P.M. SAYEED): (a) Yes, Sir.

(b) The present rate of Government Guarantee fee is 1.2% per annum.

(c) The guarantee fee charged on outstanding multilateral loans is fixed by the Ministry of Finance. The rate of 1.2% was fixed in 193 when the interest rate were high. Now that the interest rate regime has softened considerably, Power Grid Corporation and other Central Public Sector Undertakings (CPSUs) have made a request for reduction by taking up the matter with Ministry of Finance. As suggested by Ministry of Finance, all such requests are being recommended on case-to-case basis. The reasons given by Power Grid Corporation of India Ltd. for review of Guarantee Fee are as under:

(i) Waiver/reduction in guarantee fee will not only reduce the project cost but will also result in reduced tariff to the users of the system and consequently to the ultimate consumers.

(ii) In the current low interest rate regime, the guarantee fee becomes significant part of the cost of multilateral loans.

Assessment of power sector made by Planning Commission

300. SHRI MANOJ BHATTACHARYA:
SHRI C. RAMACHANDRAIAH:

Will the Minister of POWER be pleased to state:

(a) whether as per the internal assessment made by the Planning Commission the power sector in the country remains an area of serious concern;